

NSC BRIEFING

21 July 1954

THE ONASSIS AGREEMENT

I. Subject two conditions, Onassis tankers will have right to ship Saudi oil from Saudi ports and pipeline terminals outside country. Conditions look okay but are loaded:

A. ARAMCO-owned tankers, those owned by parent companies, and purchasing companies will have first priority in carrying Saudi oil provided ships were registered in name of companies and regularly transporting Saudi oil before end December 1953. (Oil circles comment: Only fraction Saudi oil then shipped in tankers fulfilling these conditions. Also, clause means eventual freezeout since no provision replacement obsolete tankers).

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B. Onassis will charge freight rates equal to those announced monthly by London Panel of Tanker Brokers, provided that they are not less than average rate for last two years.

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II. ~~REQUISITES~~ REQUISITES Saudis get from Onassis:

- A. School to train fifteen Saudi sailors per year.
- B. Free carriage 50,000 tons of oil per year from Persian Gulf to Red Sea ports.
- C. Royalty of 21 cents a ton on all oil transported abroad.
- D. Minimum 500,000 tons shipping to be registered under Saudi flag.

III. Agreement to be in force for thirty years, is renewable. Saudi government will request ARAMCO implement agreement. If refused, Saudi government will consult Onassis about taking legal action.

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BACKGROUND

IMPORTANCE OF SAUDI PETROLEUM

- I. Middle East averages some 20% of world oil production (exclusive of Soviet):

	<u>1950</u>	<u>1953</u>
WORLD	3,476	4,320 (million bbls)
MIDDLE EAST	657 (18%)	902 (21%)

- II. Saudi Arabia averages over 30% of Middle East oil production.

	<u>1950</u>	<u>1953</u>
MIDDLE EAST	657	902 (million bbls)
SAUDI	200 (30%)	308 (34%)
IRAN	243	10

- III. Bulk of Middle East oil goes to Europe, where it now furnishes more than 90% of Europe's total crude imports:

<u>1938</u>	<u>1950</u>	<u>1952</u>	<u>1953</u>
23%	85%	94%	(100%)

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